

## Message Text

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DEPT PASS EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, ECON, OTRA, SY

SUBJECT: VISIT OF EXIMBANK OFFICIALS MORAN AND HAMMOND

1. SUMMARY: EMBASSY BELIEVES MARCH 21-26 VISIT TO SYRIA (FIRST IN 12 YEARS) BY EXIMBANK DEPUTY VICE PRESIDENT TOM MORAN AND ECONOMIST CHARLES HAMMOND MOST USEFUL IN EDUCATION SYRIANS IN PRIVATE AND PUBLIC SECTORS RE POSSIBLE ASSISTANCE FROM EXIM (CHANCES FOR WHICH, AS WAS NOTED IN EACH MEETING, WOULD BE ENHANCED WITH SETTLEMENT OF SMALL EXIM CLAIM). EMBASSY LEARNED SYRIA HAS NOT BEEN PUT BACK ON EXIM COUNTRY LIMITATION SCHEDULE LIST OF COUNTRIES WITH RE-ESTABLISHMENT OF RELATIONS IN 1974 AND STRONGLY RECOMMENDS THAT DEPT APPROACH EXIM WITH POSITIVE RECOMMENDATION IN THIS REGARD AS COMPLEMENTARY STEP TO SECRETARY SIMON'S VISIT IN EARLY MARCH AND OUR ONGOING EFFORTS TO NEGOTIATE AN OPIC AGREEMENT. END SUMMARY.

2. AS FIRST EXIM VISIT TO SYRIA IN PAST 12 YEARS, MARCH 21-26 VISIT BY EXIMBANK OFFICIALS MORAN AND HAMMOND MET EXTREMELY WARM WELCOME AND STRONG SHOW OF INTEREST BY SARG TO THIS LONG-ABSENT USG AGENCY. ALTHOUGH SARG MINECONOMY AND FOREIGN TRADE IMADI WAS IN U.S. AT TIME OF VISIT, HE HAD LEFT CLEAR INSTRUCTIONS FOR EXCELLENT COOPERATION IN SETTING UP FULL AND UNCLASSIFIED

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WORTHWHILE PROGRAM AS NOTED BELOW. DURING EACH OF THEIR

DISCUSSIONS, EXIMBANK OFFICIALS NOTED NEED FOR SETTLEMENT OF SMALL OUTSTANDING \$84,000 EXIM (BOUSTANI) CLAIM AND POSITIVE CHANGE IN EXIM POSITION TOWARDS CREDITS TO SYRIA SUCH SETTLEMENT WOULD ENGENDER.

3. CENTRAL BANK GOV DAKKAK, DEP GOV ATASSI, AND NEW RESARCH DEPT HEAD DR. ARFAN AZMEH (US-EDUCATED AT WHARTON, AS HIS PREDECESSOR USAMA MALKI WHO NOW IN WASHINGTON WITH IBRD), TOOK STANDARD POSITION ON CLIAM, NOTING BOUSTANI BANKRUPTCY, BUT ALSO FACT THAT REMAINING ASSETS HAVE NOT YET BEEN DISTRIBUTED. AS FOR CURRENT ABILITY OF SARG TO PAY OUTSTANDING DEBTS, EXIM OFFICIALS AGREED WITH DAKKA THAT SYRIAN ECONOMY HAS MUCH IMPROVED OVER RECENT YEARS AND THAT SARG WAS MEETING ALL ITS FINANCIAL OBLIGATIONS. COMMENTING ON CURRENT EXIM CREDIT CHARGES AND CONDITIONS, DAKKAK (AS DID OTHER SYRIANS IN OTHER MEETINGS) EXPRESSED HIS BELIEF THAT EXIM WAS NOW NOT COMPETITIVE WITH EUROPEAN CREDIT MARKET; MORAN COUNTERED THAT EXIM WAS INDEED COMPETITIVE ON LENGTH OF TERMS AND EXIM COULD GO DOWN TO SEVEN PER CENT INTEREST IN TOUGH COMPETITIVE SITUATION AS OPPOSED TO USUAL AVERAGE BETWEEN EIGHT AND ONE-QUARTER TO NINE AND ONE-HALF PERCENT. IN RESPONSE TO DAKKAK'S DESCRIPTION OF SYRIA'S LARGE FOREIGN PURCHASE REQUIREMENTS BUDGETTED FOR 1976 (L.S. THREE BILLION, EQUIVALENT TO \$821 MILLION), MORAN ENCOURAGED SARG TO TRY EXIM ON SMALL CREDITS FIRST SO THAT TWO PARTIES COULD RENEW THEIR PREVIOUS TIES.

3. IN MEETING WITH COMMERCIAL BANK (CBS) GENERAL DIRECTOR ABOUASSALI AND HIS TOP MANAGEMENT STAFF, EXIM OFFICIALS HAD WIDE-RANGING SESSION COVERING ALL BANKING FACILITIES IN SYRIA, GOOD FOREIGN EXCHANGE POSITION OF SYRIA, RISE IN CBS 1/C ACTIVITY FROM L.S. 2.2 BILLION (\$603 MILLION) IN 1974 TO ALMOST L.S. 5.5 BILLION (\$1.5 BILLION) IN 1975. AT ONE POINT, ABOUASSALI NOTED HE WOULD BE ATTENDING UBAF/NEW YORK BANK OPENING IN LATE APRIL, COMMENTING (IN CONTEXT OF NEW YORK ANTI-BOYCOTT BANKING LAW, "IT IS TOUGH TO GET BANKING IN THE U.S."

4. HAVING TOUCHED ON EXIM POSITION CONCERNING U.S. EXPORT LAWS AND RECENT ANTI-DISCRIMINATORY REGULATIONS WITH SYRIAN UNCLASSIFIED

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BANKING OFFICIALS, EXIM OFFICIALS WERE TREATED TO IMPASSIONED REACTION FROM DIRECTOR GENERAL MAHAYNI (BOSTON EDUCATED) DURING MEETING OF FULL BOARD OF DAMASCUS CHAMBER OF COMMERCE; MAHAYNI COMMENTED AT LENGTH THAT U.S. WOULD CUT ITSELF OFF FROM ALL EXPORTS TO LARGE ARAB MARKET IF IT CONTINUED ON CURRENT ANTI-BOYCOTT COURSE AND CONCLUDED: "HOW LONG ARE WE GOING TO BE UNDER PRESSURE FROM THESE GROUPS IN THE U.S.?" LIVELY DISCUSSION ENSUED WITH SOME BOARD MEMBERS ARGUING

AGAINST MAHAYNI AND FOR EFFORTS ON BOTH SIDES TO UNDERSTAND OTHER'S POSITION (E.G., POSSIBILITY FOR POSITIVE CERTIFICATE OF ORIGIN).

5. EXIM OFFICIALS ALSO MET WITH DEPMIN PLANNING HILOU FOR REVIEW OF 1976-80 PLAN, TWO PRIVATE SYRIAN BUSINESSMEN, AND HAD A GOOD SUBSTANTIVE ROUNDTABLE DISCUSSION ATTENDED BY KEY SYRIAN BANKING OFFICIALS AND DIRECTORS GENERAL OF SEVERAL SARG MINISTRIES (SYRIAN PETROLEUM CO., HOUSING, ELECTRICITY AND CHEMICAL INDUSTRIES). AT LUNCHEONS HOSTED BY CENTRAL AND COMMERCIAL BANKS, OTHER DIRECTORS GENERAL WERE PRESENT (TEXTILES, FOOD INDUSTRIES) ALONG WITH TOP MANAGEMENT OF BANKS, EMBASSY, AND AID OFFICERS. EXIM OFFICIALS ALSO HAD DISCUSSION WITH SYRIAN LAWYER RETAINED FOR BOUSTANI CLAIM CASE.

6. COMMENT: WHILE EXIM OFFICIALS SUFFERED USUAL PROBLEM (AS DO MOST VISITORS TO SYRIA) OF OBTAINING SPECIFIC ECONOMIC DATA AND EXACT DESCRIPTIONS OF SYRIAN BANKING AND COMMERCIAL PRACTICES AND LAWS, WE BELIEVE WIDE RANGE OF CONTACTS THEY HAD HERE WAS WORTH THE EFFORT IN ORDER TO UPDATE EXIM'S INFORMATION ON BURGEONING SYRIAN ECONOMY. REPEATED AND PATIENT EXPLANATION OF EXIM PROCEDURES AND FACILITIES WAS WELL RECEIVED BY SYRIANS AND EDUCATIONAL EFFECT WAS GOOD.

7. ACTION REQUESTED: DURING EXIM VISIT, FOR FIRST TIME EMBASSY LEARNED THAT SINCE 1967 BECAUSE OF BREAK IN RELATIONS, SYRIA WAS REMOVED FROM LIST ON EXIM COUNTRY LIMITATION SCHEDULE WHICH MEANS NO MEDIUM OR SHORT-TERM GUARANTIES OR INSURANCE FOR SYRIA BY EXIM OR FCIA. AMERICAN BUSINESSMAN AND BANKERS VISITING US HAVE ASKED ABOUT THIS PROBLEM, NOTING THEY VERY MUCH WOULD LIKE TO HAVE SYRIA AGAIN MADE ELIGIBLE FOR SUCH COVERAGE. SINCE REOPENING OF EMBASSY IN JUNE 1974, WE HAVE TAKEN A NUMBER OF STEPS DESIGNED TO BUILD A RELATIONSHIP

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WITH THIS COUNTRY WHICH IS OF CENTRAL IMPORTANCE TO OUR MIDDLE EAST POLICY. THESE STEPS INCLUDE: RE-ESTABLISHMENT OF PL 480 AND AID PROGRAMS (AND SETTLEMENT OF OLD AID CLAIMS), FORTHCOMING OPIC NEGOTIATIONS AND POSSIBLE SARG/ U.S. TREASURY COOPERATION RESULTING FROM SECRETARY SIMON'S MARCH 3 VISIT, AND QUINTUPLING OF U.S. EXPORTS TO SYRIA IN 1975. FOR ALL THESE REASONS, EMBASSY STRONGLY RECOMMENDS THAT DEPT FOLLOW UP WITH EXIMBANK AND URGE RECOMMENDATION TO EXIM BOARD THAT SYRIA BE PUT BACK ON EXIM'S COUNTRY LIMITATION SCHEDULE. WE WOULD APPRECIATE BEING INFORMED ON PROGRESS OF THIS ACTION.

MURPHY

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